



entertainment  
software  
association

October 21, 2011

The Honorable Mike Kowall  
Chair, Senate Economic Development Committee  
Michigan Senate  
P.O. Box 30036  
Lansing, MI 48909-7536

Dear Chairman Kowall:

On behalf of the Entertainment Software Association (ESA)<sup>1</sup>, I am writing in support of SB 569, which would enhance the incentives available for film and digital media production in Michigan. The ESA is the U.S. trade association representing the publishers of computer and video games for video game consoles, personal computers, the Internet and mobile devices. We sincerely appreciate the efforts of Senator Richardville and the Michigan Film Office to develop incentive legislation that keeps Michigan competitive in this high tech and high growth industry.

Currently, the computer and video game industry is a \$28 billion industry in Michigan that provides direct and indirect employment for over 700 Michiganders, with an average annual compensation of over \$83,000<sup>2</sup>. Ten colleges and universities across the state – including Michigan State University, Calvin College, Ferris State University and Northern Michigan University – offer bachelors and/or masters degrees in video game design, helping to train the next generation of computer and video game developers. SB 569 will help create additional job opportunities in Michigan for graduates of these programs by welcoming additional investment and reducing the overall cost of doing business.

Twenty-two states currently offer incentives for computer and video game production, as do a number of Canadian provinces including British Columbia, Ontario and Quebec. Incentives play a significant role in determining where new productions will be located, and whether they even get off the ground. The cost of creating the current generation of computer and video games has increased substantially, due to progressively more demanding consumers who want the latest technology in three-dimensional imagery, artificial intelligence and enhanced voice and sound effects.

States including Florida, Georgia, Louisiana and Texas that offer incentives for film and digital media production have recently enacted legislation to improve them – either to increase funding

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<sup>1</sup> ESA's members: 38 Studios; 345 Games; 505 Games; Capcom USA, Inc.; Deep Silver; Disney Interactive Studios, Inc.; Eidos Interactive; Electronic Arts; Epic Games, Inc.; Her Interactive, Inc.; Ignition Entertainment; Konami Digital Entertainment; Microsoft Corporation; Namco Bandai Games America Inc.; Natsume Inc.; Nexon America, Inc.; Nintendo of America Inc.; Nival; NVIDIA; O-Games, Inc.; Perfect World Entertainment; SEGA of America, Inc.; Slang; Sony Computer Entertainment America; Sony Online Entertainment, Inc.; Square Enix, Inc.; Take-Two Interactive Software, Inc.; Tecmo Koei America Corporation; THQ, Inc.; Trion Worlds, Inc.; Ubisoft Entertainment, Inc.; Warner Bros. Interactive Entertainment Inc. and XSEED Games.

<sup>2</sup> See *Video Games in the 21<sup>st</sup> Century: The 2010 Report*.

or to expand the incentives due to the substantial return on investment the state has incurred. For example:

- According to the *Economic Impact of Florida's Interactive Digital Entertainment Sector* July 2010 report, for every state dollar invested in interactive digital entertainment companies, state and local governments generate an additional \$3 in tax revenue from tax receipts from direct, indirect and induced economic activity. In May 2011 Governor Rick Scott (R) signed legislation into law that increases funding for the state's film and digital media incentive program by \$12 million over the next three years, and also allows incentives for creating a qualified digital media production facility as well as for hiring students and recent graduates enrolled full-time in a digital media course of study.
- A December 2010 report from the Texas Comptroller of Public Accounts found that between April 23, 2009 and August 31, 2010, computer and video game productions seeking incentives invested \$170.7 million in the state and generated nearly 1,700 full-time jobs. Due to this sizeable economic impact, the Texas Film Commission approved amendments to the rules governing the Texas Moving Image Industry Incentive Program in August 2011 to allow interactive digital media productions to apply for greater incentives.
- An April 2011 BaxStarr Consulting Group study found that in Louisiana, the incentives for digital media production generated an economic benefit of \$6.90 for every dollar expended in tax credits. In 2010, the digital media industry is estimated to have collectively spent \$7.6 million in state with a total economic output estimated at \$12.8 million.

Outside of the entertainment value, the development of computer and video game technology has helped drive innovation in other sectors of the economy including first responder and military training, health care and human resources. A 2010 survey of medical students from the University of Michigan and University of Wisconsin-Madison found that 80% said computer games have an educational value and 77% said they would participate in an online multi-player health care simulator if it helped them accomplish an important goal<sup>3</sup>. Simulations utilizing video game technology are often used as a tool to train medical students, simulating real-world experiences that can create teachable moments without causing harm to patients.

We strongly support SB 569, as it will help cultivate computer and video game production in Michigan, creating high tech employment opportunities for graduates of the state's computer and video game design degree programs, and help drive future high tech innovation.

Thank you for your time and consideration.

Sincerely,



Tom Foulkes  
Vice President, State Government Affairs

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<sup>3</sup> See Gjerde, Craig L. and Sen, Ananda. "Medical Student attitudes toward video games and related new media technologies in medical education." BMC Medical Education 2010, 10:50 doi: 10.1186/1472-6920-10-50.